

Housing slump impacts non-diverse economy

NEWSMAKER Q&A

Arizona Treasurer Dean Martin, who is the state's chief financial officer and third in succession to the governor's office, was the guest in last week's Live Talk Wednesday on aztalk.azcentral.com with moderator Joe Garcia.



Dean Martin

Martin oversees \$12.1 billion in assets and is the trustee for the Arizona State Land Endowment Trust, managing more than \$2.6 billion of investments for the state land trust endowment for 13 different beneficiaries.

Martin previously served in the state Senate for six years, where he was chairman of the Senate Finance Committee, vice chairman of the Judiciary Committee and a senior member of the Appropriations Committee.

Martin, who lives in the north Valley, grew up in Arizona and graduated from Arizona State University.

1. On your Web site (www.aztreasury.gov) you offer 10 tips to avoid holiday debt. ... The credit card is so tempting.

Regardless of the size of someone's budget or how many people are on your shopping list, you should set a total budget ahead of time. Make a list of everyone you are shopping for and then set a budget per-person so that you don't spend more than you can afford. ... Another effective tip is to use the envelope method for savings. If you find yourself overspending or crutched on credit cards, take out all the cash you have budgeted for your total holiday spending in an envelope and watch it go down. This is a sure way to keep a close check on your cash flow.

2. On your tips list, you mention getting a free credit report. How important is this, not just for holiday monitoring but beyond?

The information on this report determines the interest rates that credit card companies will charge you, as well as banks will charge you for auto loans or even a mortgage. Visit www.annualcreditreport.com to request a FREE credit report once every 12 months. Make sure you haven't been a victim of identity theft and that your information is correct. Make sure that nobody else is buying their holiday gifts on your credit.

3. What's the state's latest budget shortfall figure and does that stand to change because of holiday shopping? Are you optimistic?

We are expecting to see relatively flat holiday shopping numbers. The current legislative budget shortfall is \$970 million in this fiscal year and \$1.8 billion next fiscal year. Even a historic, record-setting holiday shopping season wouldn't be enough to pull the state budget out of this deficit.



Join us from 11 a.m. until noon on Wednesday at aztalk.azcentral.com for a conversation with Ericka Espino, executive director of Arizona MADD, concerning efforts to battle holiday drunken driving. Send your questions in advance to aztalk@arizonarepublic.com.

4. Discuss how the sluggish housing market affects Arizona's revenue stream. It's the ripple effect, right?

Construction has always been one of the state's five largest industries. It's definitely not only a ripple effect, but with Arizona's reliance on the construction industry for revenue, it's more like a tsunami effect. It has been a major driver of sales and income tax revenue to the state with the state sales tax on home construction, employment (construction jobs, mortgage related industries) as well as retail sales (home improvement stores, etc).

5. If you were to give an overall grade to Arizona's fiscal well-being, what would it be?

As for the state's economy, it depends on the sector. The housing market gets a "D" or an "F." Retail gets a "B-" while manufacturing gets a "B" but it is not working to its full potential. Arizona lost a lot of manufacturing jobs after the dot.com/

9-11 recession that we never got back. We have a lot of opportunities but Arizona's high commercial property tax keeps holding us back. The other sectors are still doing OK. Housing is like an anchor and it's dragging everything else down. The overall economy gets a B-.

6. What needs to be done to bring up our grade?

Economy.com produces an economic diversity index that looks at each state's industrial base as if it were a stock portfolio, and how diversified its investments are by size, type and market sector. Arizona always ranks at the bottom because we do not have a very diversified industrial base. Our economy is driven by just a few sectors (tourism, construction / housing, retail, aerospace, micro-chip manufacturing). ... We need to look at broad measures that would provide relief and make Arizona attractive to all sectors.

7. Any prediction on a recovery for the housing market?

No recovery is possible in 2008. We still have more fallout from sub-prime meltdown to come. We may hit bottom by the end of 2008, but the nature of housing is that it will take a long time to dig ourselves out of this problem.

8. Why would a state property tax be a bad idea? Oregon has a state property tax and no sales tax

The problem with Arizona is so much of our land is owned by government, (BLM, military, national parks, tribal lands.) Only 17.6 percent of all land in Arizona is in private hands. As a result we have 100 percent of the state's needs resting on 17.6 percent of the property. This has a magnifying effect and raises effective property taxes. ... Arizona is a unique state with unique needs and geography, and we should always take that into consideration with our long term planning.